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Press Release: Statement by IMF Mission Chief for Romania
November 24, 2010

Mr. Jeffrey Franks, IMF Mission Chief for Romania, made the following statement in response to the approval by the Romanian Senate of a reduction in the income tax rate:

“The recent vote by the Romanian Senate to reduce the income tax rate from 16 percent to 10 percent raises several concerns:

- “First, if enacted into law, this measure would open a significant additional gap in the 2011 budget and its deficit would exceed 4.4 percent of GDP, which is a condition for the next IMF and EU disbursements to Romania.
- “Second, the difficult but necessary measures taken in July to fix Romania’s fiscal problems are now beginning to bear fruit. Revenues are rebounding, expenditures are falling to more sustainable levels, and confidence in the Romanian economy is recovering both here and abroad. Initiatives to continuously tinker with the tax system create instability in the business climate and undermine the economic recovery.
- “Finally, we note that this measure was not discussed with the new Fiscal Council as required by the Fiscal Responsibility Law, and is not consistent with the government’s medium-term fiscal strategy.

“We also note that the government has reiterated strong commitment to the economic program supported by the IMF, European Union, the World Bank, and other international financial institutions. Accordingly, we expect that action will be taken to ensure that this unfunded tax cut will not be enacted. We urge lawmakers of all political parties to approve a responsible 2011 budget and to approve the reforms needed to secure a more stable and prosperous future for Romania. We are confident that we will be able to proceed as scheduled to approve the sixth review at the IMF Board in early January once all prior conditions have been met.”

For information on the Stand-By Arrangement, please see the following links:

Romania and the IMF: <http://www.imf.org/external/country/ROU/index.htm>

Key documents are also available in Romanian: <http://www.fmi.ro/>